

**Post Employment Health Care Changes for 2007**  
**Frequently Asked Questions**

**Delphi's Strategic Direction**

**Q1: Why is Delphi making these changes?**

A1: Delphi is making changes to the post-employment provisions of the Salaried Health Care Program in an effort to reduce structural costs while also ensuring that the programs we offer are competitive within the industries in which we compete.

**Q2: How many companies are taking similar steps when it comes to post-employment health care benefits?**

A2: Since 1988, the number of employers that provide post-employment health care has dropped from 66% to 36%. All large employers, including our competitors, are reviewing their retiree medical benefits and considering the impact that the introduction of Medicare Part D will have on company-sponsored plans offered to retirees. A recent study shows that 11% of large employers like Delphi are planning to transition Medicare-eligible retirees to Medicare Part D coverage in 2006, with many others expected to follow in 2007.

**Q3: Once these changes go into effect in 2007, how do our post-employment health care benefits compare to our competitors?**

A3: Post-employment health care coverage is not prevalent in the industries in which we compete. This change will move us closer to our competitors.

**Q4: Why is Delphi announcing changes that will not take effect until 2007?**

A4: Delphi is announcing the changes at this time for two reasons. First, Delphi wants to give employees and retirees ample time to plan for these changes. Second, Delphi's structural cost will be positively affected immediately upon announcing these changes.

**Q5: How much will Delphi's structural cost be reduced by implementing these changes?**

A5: Delphi will reduce its total liability for post-employment health care benefits by well over \$0.5 billion over several years, which results in significant annual expense savings. Additionally, these changes bring Delphi's business practice more in line with our competitors.

**Q6: Is this the last change Delphi is going to make to retiree medical?**

A6: Although we do not anticipate making additional changes to the retiree medical coverages at this time, Delphi will continue to assess all of its benefits programs to determine how we can continue to provide a competitive benefits package to employees.

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**Q7: Could there be other changes to retiree medical before 2007 that you'll announce later?**

A7: Delphi, historically, has made annual changes to the Salaried Health Care Program including adjusting monthly contribution amounts, adjusting copayment amounts and changing the health plans that are offered during the annual enrollment. Additional changes, if any, will be communicated as necessary.

**Q8: Will the changes solve the company's financial issues—specifically those around health care benefits costs?**

A8: These changes will help Delphi reduce structural costs and make us more competitive in the long term. However, the company will need to continue to look for ways to manage health care costs in the future. That's because the factors that lead to double-digit increases in health care inflation haven't gone away. Some of these factors include: the increasing utilization of more expensive procedures and drugs; an inefficient health care delivery system; the growing number of uninsured Americans whose costs affect us all; and the introduction of new and costly medical technologies and prescription drugs. Delphi will continue to work diligently with its carriers, providers and Unions to seek ways to mitigate the impact of health care inflation.

**Q9: Will the plan change for hourly employees as well?**

A9: These changes only affect Delphi's salaried employees, retirees and surviving spouses. However, we will continue to work with the Unions to explore cost reduction strategies.

### **The New Retiree Medical Account**

**Q10: How does this change affect U.S. Salaried Employees?**

A10: **Employees hired prior to January 1, 1993** were previously eligible for health care coverage and Corporation contributions in retirement. Effective January 1, 2007, such employees will no longer receive Delphi health care coverage after they retire and become eligible for Medicare in the normal course. However, they will be eligible for a Retiree Medical Account.

**Employees hired on or after January 1, 1993** were not eligible for health care coverage in retirement or for Corporation contributions. However, they were previously able to purchase health care coverage from Delphi after they retired. Effective January 1, 2007, such employees will no longer be able to purchase Delphi health care coverage in retirement after they become eligible for Medicare in the normal course. They will not be eligible for a Retiree Medical Account.

**Q11: Salaried employees hired on or after January 1, 1993 but before January 1, 2001 get 1% contributed into their S-SPP account to offset the fact that they are not eligible for post-employment health care. Will employees hired prior to January 1, 1993 start getting 1% in their S-SPP account as a result of this change?**

A11: No

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**Q12: What is the Retiree Medical Account?**

A12: The account is part of the new approach Delphi is taking to help retirees pay for Medicare and Medigap premiums when they become Medicare-eligible. Effective January 1, 2007, Delphi will establish a Retiree Medical Account (for eligible retirees who were hired before January 1, 1993) when they become Medicare-eligible. The amount in this account will be \$20,000 if you retired on or before March 1, 2005 or \$10,000 if you retire after March 1, 2005.

**Q13: What expenses will the Retiree Medical Account cover?**

A13: You can use the account to reimburse yourself for Medicare or Medigap premiums. When you become Medicare-eligible, you will pay for these premiums out-of-pocket. Then, you can submit documentation to Delphi to obtain reimbursement for those expenses. More details about this process will be provided in 2006.

**Q14: Can I take the cash instead?**

A14: No. The account is intended to help you pay for Medicare and Medigap premiums after you reach age 65. You are not able to "cash out" of the plan.

**Q15: Will my Retiree Medical Account balance grow over time?**

A15: No. The balance will not grow through interest or additional contributions.

**Q16: Why do some people get \$10,000 and others get \$20,000?**

A16: Individuals who retired on or before March 1, 2005 did not have as much time to plan and save for additional health care expenses they will have during retirement as a result of these changes to post-employment health care benefits. To help individuals in this group make the transition, Delphi will provide these retirees with a \$20,000 account to cover Medicare and Medigap premiums.

However, active employees who did not retire prior to March 1, 2005 have the opportunity to make decisions today that will help them cover future health care costs—such as saving more or choosing to work for a longer period of time before retirement.

**Q17: Why is March 1, 2005 the cut-off date for receiving either \$10,000 or \$20,000 in the Retiree Medical Account?**

A17: Delphi recognized that people that were already retired at the time these changes were announced would require additional transition assistance. Because these changes are being announced in early March, March 1, 2005 was selected as the cut-off.

**Q18: Will Delphi put \$10,000 or \$20,000 in the account each year?**

A18: No. The total amount in the account will be either \$10,000 or \$20,000, depending on your retirement date. The Retiree Medical Account balance will be \$20,000 for eligible retirees who retired on or before March 1, 2005 and \$10,000 for eligible retirees who retire after March 1, 2005. This account may be accessed only when you are retired and become eligible for Medicare in the normal course.

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- Q19: If I am not Medicare eligible and I cover my spouse who is already Medicare eligible, does that mean I get double the amount in the account?**
- A19: No. The amount of the account will be either \$10,000 or \$20,000 based on your retirement date from Delphi. Although you can use the account to cover Medicare and Medigap premiums for your spouse, you will not receive additional money in the account because of your spouse.
- Q20: Shouldn't people with more years of service get a higher amount in their Retiree Medical Account?**
- A20: While Delphi values long-service employees, years of service will not play a role in the amount of the Retiree Medical Account. The company made this decision in order to keep the changes as simple and equitable as possible.
- Q21: Will Delphi announce at a later date, once they see how much people are using their account, that they'll contribute more than the initial amount?**
- A21: No. We do not anticipate making additions to the account in the future.
- Q22: Can I put my own money into the Retiree Medical Account?**
- A22: No. The Retiree Medical Account is a Health Reimbursement Arrangement (HRA), which is governed by the Internal Revenue Code. The Internal Revenue Service (IRS) requires that these accounts be funded entirely by an employer. Employees and retirees are not able to contribute to these accounts.
- Q23: How long will the money in the Retiree Medical Account last?**
- A23: That depends on the Medicare and Medigap coverage you choose when you become Medicare-eligible. Estimated costs for Medicare Part B and Part D coverage are included on page 10 of your bulletin. There are also many Medigap plans available in the market—at different prices and different coverage levels—so you'll want to assess which plan(s) will offer you the most value for your money.
- Q24: What happens to my Retiree Medical Account if I die?**
- A24: How the account is treated depends on when you die.

If...	Then...
You die after you become Medicare-eligible	Your surviving spouse will be able to use any remaining balance in your account to pay for Medicare/Medigap premiums.
You die before you become Medicare-eligible	Your surviving spouse can continue to participate in the U.S. Salaried Health Care Program until they reach Medicare eligibility in the normal course. At that time, Delphi coverage will cease and your surviving spouse will, generally, be eligible for your Retiree Medical Account

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- Q25: If I leave Delphi before I retire, will I be able to take the money in my Retiree Medical Account with me?**
- A25: No. You only have access to the account if and when you retire from Delphi and become Medicare-eligible in the normal course.
- Q26: If I become Medicare-eligible due to a disability, can I start using the account before I reach age 65?**
- A26: No. You will not have access to the account until you would otherwise have become Medicare-eligible in the normal course. However, in this situation you would continue to have Delphi coverage until you would have become Medicare eligible in the normal course (i.e., at age 65).
- Q27: Where can I get information that will tell me how much I'll need to pay for retiree medical in the future?**
- A27: It is difficult to project how much you will pay for this coverage due to several factors—including uncertainty about health care inflation projections and potential government interventions in the health care system. However, there are several free modelers on the Internet that may give you some indication about how much retiree medical may cost when you retire.
- In addition, Delphi will provide tools and information over the next year to help you plan for these changes.
- Q28: Does this announcement mean I should think differently about when I should retire from Delphi?**
- A28: Deciding when to retire is a personal decision. However, it is important to consider how you will cover health care expenses after retirement, especially since these changes likely mean that you will cover a larger portion of those expenses. If you are not actively saving in the Delphi S-SPP, now may be a good time to start. If you have been saving, you may want to consider increasing your contributions.

### **General Medicare**

- Q29: What's the difference between Medicare, Medicaid and Medigap?**
- A29: Medicare is a federal health insurance program for people who are 65 years or older, certain people with disabilities and people with end-stage renal disease. Currently, Medicare has two parts—Part A, which is hospital insurance and Part B, which is medical insurance. Starting January 1, 2006, a third part will be introduced—Part D, which is prescription drug coverage.
- Medicaid is a joint federal and state program that helps with medical costs for people with low incomes and limited resources. To qualify for Medicaid, you must have a low income and few savings or other assets. Medicaid coverage differs from state to state.
- A Medigap policy is a health insurance policy sold by private insurance companies to fill the "gaps" in Medicare. In other words, these policies help you pay some health care

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costs that Medicare does not cover. Currently, there are ten standardized Medigap plans, designated "A" through "J." Each plan provides a different set of benefits at a different cost, with Medigap Plan A offering only the basic benefits and Plan J offering the most benefits. Although the benefits for each plan are standardized, different insurance companies may charge different prices for the same coverage.

To learn more about the Medicare, Medicaid and Medigap programs, visit the Medicare website at [www.medicare.gov](http://www.medicare.gov).

**Q30: Who is eligible for Medicare? Am I eligible if I'm not a U.S. citizen?**

A30: You are eligible for Medicare if you are age 65, have paid into Social Security for at least 10 years or you are eligible to receive Social Security benefits on your spouse's earnings. If you don't meet these requirements, you can still get coverage under Medicare Part A (hospital insurance) and Medicare Part B (medical insurance) if you are a lawfully admitted individual who has lived in the U.S. for at least 5 years. You simply need to sign up and pay a monthly premium for these coverages.

**Q31: Is the Medicare system at risk of running out of money (similar to what we hear in the media about Social Security)? If this happens, will Delphi let us back into the retiree medical plan?**

A31: We are not able to predict what might happen with Medicare benefits in the future. However, Delphi continually reassesses its benefits programs in light of legislative changes and competitive pressures. If significant changes are made to how the Medicare system works, Delphi would consider the impact on the benefits programs it offers.

**Q32: I'd like to learn more about Medicare. What's the best way to do that?**

A32: The Medicare Web site at [www.medicare.gov](http://www.medicare.gov) is a great resource for up-to-date information about Medicare. At the site, you can learn about how Medicare works, review Medicare-related publications and see answers to frequently asked questions. It also includes a variety of tools to help Medicare-eligible retirees make informed health care decisions.

**Q33: How do I get a Medigap insurance policy?**

A33: Most major insurance carriers offer Medigap policies. Delphi intends to make arrangements with a national insurance carrier to provide access to such policies for retirees and surviving spouses affected by this change. More information will be provided at a later date concerning the selected carrier, enrollment procedures and costs.

**Q34: I understand Medicare and Medigap do not cover dental and vision services. Can I purchase coverage to help with these types of expenses?**

A34: Affected retirees and surviving spouse will be able to continue their Dental, Vision and Extended Care Coverages through Delphi. They will have to pay the full cost of any coverages they elect to continue. If the employee or surviving spouse for any reason ever discontinues these coverages, they will not be reinstated.

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**Medicare Part D**

**Q35: I understand the company gets a subsidy from the government in 2006 when retirees participate in the Delphi plan and do not enroll in Medicare Part D. Do I get some of that subsidy money?**

A35: Although the government will give Delphi a subsidy for continuing to provide this coverage in 2006, the amount Delphi will pay far exceeds the amount the company will receive. In effect, the subsidy amount will be used to pay for continuing coverage for 2006, but not passed along directly to Medicare-eligible retirees or employees.

**Q36: What if I enroll in Medicare Part D for 2006?**

A36: If you enroll in Medicare Part D for 2006, you will not be able to participate in Delphi's Salaried Health Care Program in 2006. You will still receive the \$10,000 or \$20,000 account in 2007 to help you pay for Medicare and Medigap coverage.

**For More Information**

**Q37: What should I do if I have questions about these changes?**

A37: If you have questions about Delphi's health care program, please contact the National Benefits Center at 1-866-335-7444 where you can talk with a representative who can help you understand the plan.

For general Medicare information, visit [www.medicare.gov](http://www.medicare.gov) or, if you are a Medicare beneficiary, call Medicare toll-free at **800-MEDICARE** (800-633-4227). For TTY assistance, call 877-486-2048.

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